

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 1st Meeting of the 2001 Calendar Year

April 24, 2001

The first meeting of the Capital Planning Advisory Board of the 2001 calendar year was held on Tuesday, April 24, 2001, at 1:00 PM, in the Department for Natural Resources Upstairs Conference Room (663 Teton Trail, Frankfort) . Representative Perry Clark, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Perry Clark, Chair; Bill Hintze, Vice Chair; Representative Brian Crall; Debra Gabbard (representing Secretary James Codell); Lou Karibo; Cicely Jaracz Lambert; Glenn Mitchell; Laurel True; Garlan Vanhook; and Judge Edwin White.

Guests: Commissioner Armond Russ, Department for Facilities Management; Natural Resources and Environmental Protection Cabinet Secretary James Bickford; Department for Natural Resources Commissioner Hugh Archer; Department for Environmental Protection Deputy Commissioner Bob Logan; and Department for Surface Mining Reclamation and Enforcement Deputy Commissioner Allen Lutrell.

LRC Staff: Pat Ingram, Committee Staff Administrator, Mary Lynn Collins, Nancy Osborne, and Dawn Groves.

Chairman Clark welcomed Glenn Mitchell, Deputy Secretary of the Finance and Administration Cabinet, as the Board's newest member; Mr. Mitchell replaces Secretary Kevin Flanery who has resigned from the Board. Chairman Clark also introduced Nancy Osborne to the staff of the Board, replacing Lola Lyle who has taken a position with another state agency.

Representative Crall's motion to approve the minutes of the December 1, 2000, meeting was seconded by Mr. Karibo and passed by voice vote.

Vice-Chairman Bill Hintze was asked to preside over the election of a Chairman of the Board for a two-year term. Mr. Hintze opened the floor for nominations. Mr. True's nomination of Representative Clark was seconded by Representative Crall. Representative Crall's motion that the nominations cease was seconded by Mr. Karibo, and Representative Clark was elected as Chairman of the Board by voice vote.

Chairman Clark thanked the members. He then asked for nominations for Vice-Chairman of the Board. Mr. Mitchell's nomination of Mr. Hintze was seconded by Mr. Karibo. Representative Crall's motion that the nominations cease was seconded by Mr. Karibo, and Mr. Hintze was elected as Vice-Chairman of the Board by voice vote.

At Chairman Clark's request, CPAB Staff Administrator Pat Ingram reviewed the Information Items that had been included in the members' folders. Those items were: 1) a report on the Government Performance Project, 2) additional information on Nebraska's Building Renewal and Rental Surcharge Assessment Funds as requested by the Board at a previous meeting, 3) a report from Finance and Administration Cabinet Secretary Kevin Flanery on implementation of the Board's recommendation that the Department for Facilities Management be given a more proactive role and increased authority, 4) a summary of the preliminary program for the National Association of State Facilities Administrators (NASFA) Annual Conference to be held in Lexington in June, and 5) a listing of proposed future meeting dates for the Board.

Relative to the Governmental Performance Project (GPP), Mr. Hintze said the state was disappointed that its grade decreased from A- in 1999 to B+ in the capital management portion of the current report. He said the decrease appears to have occurred from the GPP placing a disproportionate emphasis on the backlog of transportation needs. He explained that the GPP continues to view the CPAB, with its representation from all three branches, as a major positive for Kentucky. Judge White noted that these ratings are another example of the good work of state government that does not get much attention from the news media. Chairman Clark said he concurred and directed that staff work with the LRC Public Information office on a press release regarding the report.

Relative to the Nebraska information, Chairman Clark noted that the Board appeared to be very interested in this approach to funding maintenance and renovation needs and asked staff to begin working on a comparable proposal for Kentucky, which could result in draft legislation, for consideration by the Board at a future meeting.

Relative to Secretary Flanery's letter, Mr. Mitchell noted that they are working through some budget-related issues that must be addressed before Cabinet for Families and Children facilities can be transferred to the Department for Facilities Management. Chairman Clark also noted that the Board had been asking the Department for Facilities Management to take on more responsibilities over the years and asked to have a presentation from Commissioner Armond Russ at an upcoming meeting on items such as the Department's workload, budget, etc.

Chairman Clark said that the due date for submission of the 2002-2008 agency capital plans was April 15. He said most of the agencies have now submitted their plans. Ms. Ingram reported that follow-ups to agencies with plans still outstanding indicate that those plans should be forthcoming in the next few days.

Chairman Clark reminded members that it has been the Board's practice to ask for recommendations from the Council on Postsecondary Education (CPE) and from the Office of the Chief Information Officer (CIO) to be presented at the July meeting at which the agency plans are reviewed. He proposed that, for this planning process, those presentations be delayed until the August meeting so that information about all of the projects can be provided before the recommendations are presented. Mr. Hintze's motion to request recommendations from the CPE and the CIO for the August meeting was seconded by Mr. Mitchell and passed by voice vote.

Noting that high energy prices have been a problem for state government in recent months, Chairman Clark introduced Glenn Mitchell and Armond Russ, Commissioner of the Department for Facilities Management, to briefly comment on steps being taken to address this issue. Mr. Mitchell gave an overview of the Energy Efficiency Program for State Government Buildings that was enacted by the 1996 General Assembly. He said Kentucky has encountered some problems in implementing the portion of the program that allows for the use of energy savings performance contracts to be used to finance energy-related capital projects. As a result, an "Energy Efficiency Solutions Team" has been established to address how to improve Kentucky's program. They plan to present recommendations to the CPAB before the statewide capital improvements plan is finalized, and possibly to have legislative proposals. Mr. Mitchell also noted that the Cabinet has now hired a full-time Energy Efficiency Program Coordinator.

Commissioner Russ elaborated on some of the issues that have arisen such as the requirement for budget authorization of projects, ownership of equipment that is installed, the use of tax-exempt financing, and the length of payback period. He said the Department for Facilities Management is trying to move ahead with projects where that is possible now, for example, at Western Kentucky University and at Morehead State University.

In response to Representative Crall's question, Commissioner Russ confirmed that as energy prices go up, the return on investment will make some projects more attractive now than when they were first being considered. He also expressed agreement with Representative Crall's comment that there is not likely to be relief from high energy prices for the next several years.

Mr. Hintze said it is more difficult for agencies to get energy efficiency projects authorized in the capital budget when they will be financed from state funds, because they must compete with other needs and priorities for this funding source. The authorization is easier to obtain if another financing approach is proposed. In response to Chairman Clark's question, Commissioner Russ explained that because they are capital improvements, projects valued at \$400,000 or more must be authorized in the capital budget regardless of the funding source.

At Chairman Clark's invitation, Commissioner Russ provided additional information about the NASFA conference to be held in Lexington in June and encouraged anyone interested in attending one of the sessions to contact him.

Chairman Clark next introduced Natural Resources and Environmental Protection Cabinet Secretary James Bickford to make a presentation about the Cabinet. Secretary Bickford outlined the Cabinet's organizational structure as well as the number and types of employees, and where they are housed. He explained the effort to clean up Kentucky (e.g., illegal dumps), which has been a major focus of the Cabinet. Another emphasis of the Cabinet has been on improving the process for issuing permits. Secretary Bickford said NREPC operations in Frankfort need to be consolidated into improved space; significant problems result from employees being dispersed throughout the city. He said the Cabinet should be considered a prime candidate to occupy the new state office building being proposed by the Finance and Administration Cabinet.

Secretary Bickford then introduced Commissioner Bob Logan to make a presentation on the Cabinet's Department for Environmental Protection. Commissioner Logan explained the programs and responsibilities, which are carried out by the Divisions of Water, Waste Management, Air Quality, and Environmental Services. He said capital needs of the Department include funding for State-Owned Dam Repair and funding for the Hazardous Waste Management Fund, which is used to address the Maxey Flat radioactive disposal site. A deep well monitoring system is also being proposed to help monitor and prevent releases from the site.

In response to a question from Chairman Clark, Commissioner Logan said all chemical laboratory functions of the Department are handled at the Centralized Laboratory; biological lab functions, which do not require as extensive safeguards, are housed in leased space elsewhere.

Secretary Bickford next introduced Deputy Commissioner Allen Lutrell of the Department for Surface Mining Reclamation and Enforcement. Deputy Commissioner Lutrell explained the mission and programs which are carried out by the Division of Permits, Field Services, and Abandoned Lands. He also identified the locations of the offices housing each of the divisions, and noted that the Pikeville Regional Office needs to be relocated to a more suitable building. Deputy Commissioner Lutrell then focused his presentation on the use of funds obtained through the federal government and through the Empower Kentucky initiative to utilize technology to improve services. Secretary Bickford compared the current electronic permitting process to the previous paper-intensive process and complimented the Department on the hard work that had been done to accomplish this change.

To conclude the Cabinet's presentation, Secretary Bickford introduced Department for Natural Resources Commissioner Hugh Archer who briefly outlined the Department's programs as carried out through the Divisions of Conservation, Energy, and Forestry.

In response to Chairman Clark's question about the new Forestry radio system authorized in the 2000-02 budget, Commissioner Archer said it will be able to proceed upon authorization of a scope increase from federal funds. He said they had looked a working with the Kentucky State Police's new digital system, but will be staying with the analog approach, which is more compatible with systems in other states with whom they must work.

There being no further business to come before the Board, the meeting adjourned at 2:40 for a tour of various NREPC facilities in Frankfort.